

For Discussion – Commissioner Brighton’s Thoughts on Possible Education Tax Changes

Limited list of possible types of education tax changes—listed in order of magnitude of change from current system.

For starting a discussion only. The possibilities are infinite. The concepts below are attempts to address as many of the concerns expressed in testimony as possible.

Assuming local tax rate depends on locally voted spending decision

- I. Eliminate the property tax adjustment
 - a. Budget presented to voters with estimated property rate and income rate; property rate applies to housesite value and income rate applies to household income; homeowners pay the lesser of the two to the state, final payment/refund due the following April.
 - b. Local tax bills for education include only the property tax on non-housesite property
- II. Tax on all owner-occupied housesites based on income
 - a. Budget presented to voters with estimated income rate; homeowners pay the income tax to the state, final payment/refund due the following April.
 - b. Local bills for education include only the property tax on non-housesite property
- III. Education tax is tax on income of all VT residents (including renters)
 - a. Budget presented to voters with estimated income rate; all residents pay the income tax to the state, final payment/refund due the following April.
 - b. Local bills for education include only the property tax on non-housesite property
 - c. Renters receive a state credit

Assuming uniform state tax for education

- IV. Uniform Income Tax for Education
 - a. Budgets compiled and submitted by AOE and approved by Legislature; Legislature sets rates for income and property
 - b. Income tax rate for residents would be the same in all districts; for this reason it could be progressive without being overly complicated
 - c. AOE would distribute revenue to districts/schools based on weighting, programs, policies; districts would be free to meet needs with the amount received.

Notes:

- All must be Brigham compliant
- All of these changes apply to the housesite portion of current law; non-homestead property taxation is not changed except that homestead property that is not part of the housesite would probably be classified as non-housesite so there would only be one property tax rate.
- All would probably be best served by multiple, rather than lump-sum, payments.
- Housesite could be defined as house + up to 2 acres (or other), with or without a maximum value
- Income could be household income as currently defined, AGI, or VT Taxable income (or other). An education income tax could also be calculated as a percentage of VT Income Tax
- There could be a maximum payment in any of them